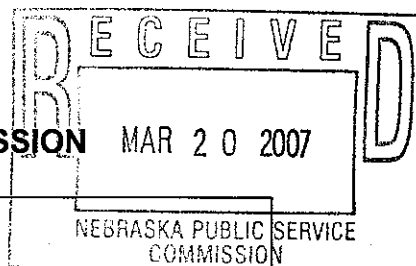


BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION



In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to establish guidelines for the purpose of certifying the use of federal universal service support.	Application No. NUSF-25 Progression Order No. 17
In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to establish guidelines for the purpose of certifying the use of state universal service support.	Application No. NUSF-66
QWEST CORPORATION'S INITIAL COMMENTS	

Qwest Corporation ("Qwest") submits its initial comments as directed by the Commission's Progression Order No. 17 (the "Order") dated February 6, 2007 as follows:

Introduction

Qwest believes it is important for federal and state universal fund support to be used only for the purposes intended. Indeed, 47 USC § 254(e) provides in relevant part regarding federal support that, "A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." Similarly, NEB. REV. STAT. § 86-324(1) provides with respect to state support: "A telecommunications company that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."

Consistent with these statutes, on April 10, 2006, the Commission adopted in Rule and Regulation No. 165, and in connection with Progression Order No. 14 of

NUSF-25, specific rules and regulations regarding the reporting of the use and planned use of support. In this docket, the Commission proposes to adopt additional requirements for the reporting of state and federal support without adopting rules or regulations. As a threshold matter, Qwest urges the Commission to consider these proposed changes in the context of a formal rulemaking procedure, rather than the informal proposed process forwarded in this docket. Formal rulemaking not only provides procedural protection to interested parties in the rulemaking process, but also benefits all parties in the implementation process by providing clear notice of applicable requirements in the centralized resource of the Commission's rules. In addition, formal rulemaking provides additional enforcement authority for the Commission which would be lacking with informally enacted processes and guidelines.

Substantive Comments

With respect to the substantive issues raised by the proposed process, Qwest has a few concerns. First, the state and federal statute have a different standard than the proposed rule. To "provision, maintain and upgrade facilities and services" includes expense and capital expenditures including business office, maintenance, and most other operating activities for the high cost service. The proposed process mentions only "expenses," and does not expressly include capital expenditures and other operating costs. If adopted through this docket or, preferably, in a formal rulemaking, the proposed process should be clarified to include all expenses and capital expenditures associated with the provision, maintenance, and upgrading of supported facilities and services.

Second, while the proposed process seeks information broken down by "in-town

versus out-of-town **if available** (emphasis added)," this information is not available from Qwest. Qwest accounting systems provide detail that shows capital expenditures in a wire center, but there is no detail to identify in-town versus out-of-town capital expenditures or any way to map costs from capital expenditures in other locations to specific services within a particular high cost wire center. Qwest's network works as a whole, drawing some functionality from centralized central offices that are connected with interoffice facilities. Much of the cost for providing service in a high cost wire center is derived from these centralized and connecting assets. Qwest cannot separately identify and provide much of this information, so the utility of the availability-based requirement in the proposed process is questionable.

Third, while Qwest can track capital expenditures to the physical location of the asset, operating expenses are not tracked or identified by wire center. Qwest systems cannot provide detail for expenses either by wire center or on an in-town/out-of-town basis. Expense reporting at this level is unprecedented. Part 32 of the federal accounting rules do not require expense reporting at the wire center level, and Qwest is not aware of any other prior regulatory requirements for this information. Qwest has a project tracking system that can track specifically identified capital and expense expenditures using the JETS (Job Expenditure Tracking System). This system records capital costs at a wire center level by USOA account or Field Reporting Code, but tracking ongoing operating costs by wire center is not within the current capabilities of Qwest's accounting systems. Qwest cannot track expenses by wire center. Adopting a requirement for expense reporting by wire center would cost Qwest possibly hundreds of thousands of dollars to implement, and the Commission should not add these

unprecedented requirements to document the use of support.

Fourth, Qwest does not use "fund accounting" that is based upon appropriations in managing and operating wire centers. Fund accounting is prevalent in governmental budgeting and accounting but is generally not found in the corporate world and not at Qwest. Changing the current process of reporting the use of universal service fund support would require a major overhaul of Qwest's accounting systems in order for Qwest to comply with these new requirements.

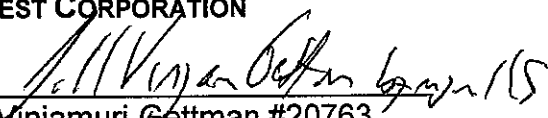
Conclusion

As stated above, Qwest supports the general concept of requiring disclosure of the use of universal support funds. The proposed process goes well beyond long-established procedures for accounting for the use of such support, and would require major overhauls of Qwest accounting systems. Particularly in the context of an informal change in "process," the Commission should decline to implement the proposed changes, and instead work closely with carriers to determine how existing accounting systems and information sources can provide the Commission with adequate assurance that support is in fact being used for the purposes set forth in the federal and state universal service fund statutes.

Dated Tuesday, March 20, 2007.

Respectfully submitted,

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